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ABSTRACT

Grassroots efforts were examined through a survey of 103 self-development projects across the United States, enriched by an indepth study of 8 successful and unsuccessful cases. They were as follows: Revolving Loan Fund, Mankato, Kansas; Orofino Unlimited, Orofino, Idaho; Center for Industry, Rome, Georgia; Windmill Market Farm and Craft Co-op, Penn Yan, New York; Project Herbs, Mars Hill, North Carolina; Manufacturing Firms, Oberlin, Kansas; Vermont Northern Growers Co-op, East Hardwick, Vermont; and Caswool Cotco, Yanceyville, North Carolina. Results of these efforts suggested that the success of self-development efforts was in part related to contextual factors the community could not control, including federal and state policies affecting economic development and infrastructure, local recognition of an economic crisis affecting the community, and existence of a flexible, dispersed local leadership structure. More important, community success was heavily dependent on its ability to overcome organizational problems. The organizational factors included the kind of project and whether it would include all groups or focus on a particular beneficiary group, an organizational structure appropriate to the particular needs of the group, access to capital appropriate to the needs of the project, and how vertical outside linkages were used. Communities enjoying the most success demonstrated leadership flexibility and adopted inclusive or group-focused approaches to community development. (Contains 17 references.) (YLB)

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**Economic
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**Agriculture
and Rural
Economy
Division**

From the Grassroots

Case Studies of Eight Rural Self-Development Efforts

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Abstract

In the 1980s, rural localities struggled to recover from the farm crisis and the national recession. Because of Federal and State cuts in social spending, rural communities had to rely more heavily on their own financial and organizational resources to intiate projects generating local jobs and income. Such grassroots efforts, called "self-development," were examined through a survey of 103 self-development projects across the United States, enriched by indepth study of eight successful and unsuccessful cases. The case studies suggest that the success of self-development efforts is in part related to contextual factors that the community cannot control. More importantly, however, community success in self-development is heavily dependent on its ability to overcome organizational problems. Communities enjoying the most success in their self-development efforts demonstrated leadership flexibility and adopted inclusive or group-focused approaches to community development.

Keywords: economic development, local government, community development, self-development, industrial development, collective enterprises

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Contents

Page

Introduction 1

The Case Studies 2
- Mankato, KS: Revolving Loan Fund 3
- Orofino, ID: Orofino Unlimited 4
- Rome, GA: Center for Industry 4
- Penn Yan, NY: Windmill Market Farm and Craft Co-op 5
- Mars Hill, NC: Project Herbs 5
- Oberlin, KS: Manufacturing Firms 6
- East Hardwick, VT: Vermont Northern Growers Co-op 7
- Yanceyville, NC: Caswool Cotco 7

Factors Influencing Self-Development Projects 7
- Common Contextual Factors 8
- Organizational Choices Affecting Self-Development 13
- Gaining Access to Capital 17

Conclusions 25

References 29

From the Grassroots

Case Studies of Eight Rural Self-Development Efforts

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Introduction

Recent changes in the economic structure of rural communities have generated renewed concern about the fate of rural America. In response to the restructuring of local economies, many researchers and policymakers have argued that rural leaders should broaden their development efforts. Industrial recruitment has been criticized for not offering a realistic potential for success—especially long-term success—in most rural communities (Summers and others, 1976, Summers, 1988). Instead, leaders are being encouraged to rely on local resources to generate economic options. Recent literature on economic development suggests that communities need to move toward greater local autonomy and long-term economic viability.[1] Successful implementation of locally initiated strategies does not mean that communities will become independent of market forces, but it does imply that there will be a greater reliance on local resources and organizations.

We assess the context and examine choices made by local groups in their efforts at a form of locality-based development, which we have called *self-development*. The emphasis is on the *process* by which these communities went about self-development, with a concern for *common* organizational approaches. This is not a "how to" manual, but an attempt to determine why some projects succeeded and others failed or did not reach their potential. The cases were chosen for their diversity in terms of type of economic activity, geographic region, and degree of success.

Self-development is defined as the implementation of a local project or creation of a firm that increases income to the locality and/or generates or saves jobs. This concept of self-development stands in contrast to traditional economic development strategies based on attracting branch plants or other firms from outside the community. To be labeled "self-development," a project must have the following three characteristics:

- Involvement of one or more community organizations, including local government;
- Investment of substantial local resources (not precluding the use of outside resources also); and
- Majority local ownership and control of the enterprise or activity.

[1]See Bruyn and Meehan for a fuller discussion of this position and how it contrasts with most economic development theories.

Self-development projects implemented since January 1980 and located in nonmetropolitan areas were included in this study. Analysis is based on case studies of eight self-development projects. Seven of these 8 cases were included in a nationwide survey that identified 103 viable self-development cases. The eighth case fit the criteria for self-development, but it was not successful.

The survey focused on the characteristics of the self-development projects, key actors in their development, benefits and costs associated with them, and obstacles facing these self-development activities. Where appropriate, certain results of the survey will be discussed.[2] The factors that appeared to contribute to successful self-development efforts fall into two categories: 1) contextual factors affecting whether self-development projects are attempted or not, and 2) certain critical organizational factors about which local leaders have options. These two are interrelated: the appropriate choice among organizational options will vary according to the context.

The contextual factors include: 1) Federal and State policies affecting economic development and infrastructure, 2) local recognition of an economic crisis affecting the community, and 3) the existence of a flexible, dispersed local leadership structure. The organizational factors about which local leaders have some choice include: 1) the kind of project and whether it will include all groups or focus on a particular beneficiary group within the locality, 2) an organizational structure that is appropriate to the particular needs of the project, 3) access to capital—particularly local capital—appropriate to the needs of the particular project, and 4) how vertical outside linkages, which bring technical, informational, and often financial resources, are used.

The Case Studies

The analysis we present in this report is based on case studies of 8 self-development efforts, 7 of which were among the 103 self-development projects identified in the nationwide survey. An additional case of two industrial startups in Oberlin, KS, was classified as one project because they were in the same locality and had a similar history. The Oberlin case was identified as a candidate by key informants but did not meet our criteria for a successful self-development project because the industrial startup had failed. This project was included in the analysis because we wanted to study at least one failed self-development effort and because the community had designed successful self-development activities before 1980. We wanted to make clear that the process of self-development was not automatically successful. As table 1 shows, some of the other projects were determined to be unsuccessful after further investigation. Five of the indepth case studies were ultimately deemed successful and three unsuccessful. (See table 1 for a listing of the cases and selected characteristics.)

We visited the selected communities to observe the physical and social setting of the case studies. We interviewed current and past participants in the self-development projects, as well as other community leaders. This approach allowed us to ascertain the facts about the project and to determine leadership patterns and other characteristics of the community. Individuals involved in local economic development were interviewed regardless of their degree of involvement in the project, so we could assess the project's role in the community's overall economic development strategy. We spent 2-5

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[2]To locate instances of self-development in nonmetropolitan communities, we conducted a national inventory that made use of existing bibliographies and listings of economic development efforts. We also contacted a variety of organizations, such as the National Association of Towns and Townships and the National Association of Development Organizations. More than 600 key informants from various agencies in each State were contacted to identify innovative self-development cases in their community/region/State.

To identify the self-development projects that would finally compose the sample, potential cases were identified by the key informants and the secondary sources. This procedure produced 249 cases that, on the surface, met our criteria. Then we sent a questionnaire to all the projects identified, and we received 160 completed questionnaires. The final step was the verification, through phone calls and additional mailings, of the cases that met all the criteria for self-development. This procedure yielded 103 cases that finally formed the survey's basis. The final response rate was 68 percent.

Table 1—Self-development project characteristics and outcomes

City, State, and name of project	Success of project	Year project initiated	Jobs, created/ saved[1]	Population 1986	Population Percent change 1980-86
					Percent
Mankato, KS, Revolving Loan Fund	S	1986	27 FTE	1,070 (city)	-11.0
Orofino, ID, Orofino Unlimited	S	1987	NA	3,630 (city)	-2.2
Rome, GA, Center for Industry	S	1986	6	30,910 (city)	+1.8
Penn Yan, NY, Windmill Market Farm and Craft Co-op	S	1986	2 FTS 20 PTS	5,690 (city)	+8.6
Mars Hill, NC, Project Herbs	S	1988	25 PT	17,400 (county)[2]	+3.6
Oberlin, KS, Manufacturing firms	U	1986	0[3]	2,290 (city)	-4.1
East Hardwick, VT, Vermont Northern Growers Co-op	U	1978	3 PTS[4]	2,630 (town)	+.08
Yanceyville, NC, Caswool Cotco	U	1986	2 FT[4]	1,990 (city)	+6.5

Note: NA = Not available
FTE = Full-time equivalent
FT = Full-time
PT = Part-time
FTS = Full-time seasonal
PTS = Part-time seasonal
S = Successful
U = Unsuccessful

[1]These figures are accurate for mid-1990.

[2]The community of Mars Hill is an unincorporated area with a population of roughly 500-1,000. Several other small villages are located within a 10-mile radius of Mars Hill.

[3]For most of the year and a half that the bus coach factory was open, it employed 12-13 people; whereas, the boat factory employed 25 people during its year and a half operation.

[4]These figures were higher when these projects were in full operation. The figures are those recorded at the time that on-site interviews took place. These two projects were definitely on the decline at that point.

days in each community, talking with 10-25 people. We also conducted numerous followup telephone interviews to clarify discrepancies or to obtain information missed in the field interviews. We briefly describe each of the eight projects in the following section.

Mankato, KS: Revolving Loan Fund

Mankato, in Jewell County, lies in north-central Kansas in the tier of counties bordering Nebraska. It is part of the area of transition from the Corn Belt to the Wheat Belt. Jewell County experienced a significant outmigration of its population for most of the 1980s; population declined 19 percent from 1980 to 1990. Mankato's ability to attract retail trade is the lowest in the immediate area. (Compared with the State as a whole, the county attracts less than half the retail trade expected, given its income and population levels.) The community experienced both population and business declines in the 1980s, but it was the threatened closing of an absentee-owned beefpacking plant that sparked the self-development project.

In 1984, Dubuque Packing Co., which had run a beefpacking plant in the county since 1974, indicated to the city of Mankato, the county seat, that it would have to leave the community if it did not receive financial assistance. In response, the city obtained a "Small Cities" Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development (HUD), administered through the Kansas Department of Economic Development. The money was lent at a 2-percent annual interest rate to Dubuque Packing Co. to expand its beefpacking operation. The principal and interest were to be paid to the city in annual payments of approximately $45,000 over a period of 15 years. The city would then use the payments from Dubuque to establish a revolving loan fund for small businesses in the county. In November 1986, the branch plant was closed. However, Dubuque and its successor, BeefAmerica, have continued to make payments. As of mid-1989, loans had been made from the revolving loan fund to the following firms: a new auto parts shop, a new exercise salon for senior citizens, an alfalfa cubing firm (which subsequently went out of business), an insurance agency (facilitating the transfer of the agency from the retiring agent to his assistant), a veterinary clinic, a lumber company coming out of Chapter 11 reorganization, and two small manufacturing firms.

Orofino, ID: Orofino Unlimited

Orofino, a town of less than 4,000, is located in the lower panhandle region of Idaho. The Clearwater County town is dependent on the timber industry. Clearwater County was the second fastest-growing county in Idaho during the 1960s and early 1970s when two massive Federal projects, the Dworshak Dam and the National Fish Hatchery, were being built just outside of Orofino. The projects were completed in 1978, and construction crews immediately left. As a result, Clearwater County was one of only two counties in Idaho to lose population between 1970 and 1980. The national housing slump during the recession of 1982 left many timber mills idle. Unemployment in Orofino rose to over 30 percent. The timber industry bounced back later in the decade, but technological advances and management innovation allowed the industry to produce at 1979 levels with only 60-70 percent of the 1979 workforce.

In the late 1980s, Orofino organized to combat job loss. Business groups, city officials, and other citizens formed Orofino Unlimited, Inc. (OUI). The group set out to encourage economic development through local business expansion and to encourage community involvement in startup businesses.

OUI was founded in 1987 and is a community-based, nonprofit economic development organization aimed at diversifying the local economy. It has helped organize local cultural and tourist events, built a retirement housing complex, and improved the general appearance of the town. The group has also worked with the Clearwater Resource Coalition, a collection of local interests organized to gain agreement from the Federal Government to allow increased logging in the Clearwater National Forest.

Rome, GA: Center for Industry

Rome is located approximately 65 miles northwest of Atlanta. Long-term dependence on the manufacturing sector and a highly unionized workforce make Rome's local economy more similar to Frost Belt than to Sun Belt cities. While most north Georgia communities were growing rapidly in the 1970s and 1980s, Rome experienced a population decline.

The decline in the region's economy during the 1980s and a growing recognition that economic development involves more than industrial recruitment have shaped Rome's recent development strategy. The Rome and Floyd County Industrial Development Commission (IDC) opened its Center for Industry, a business incubator, in 1986. Startup firms gain entrance to the incubator for a maximum of 3 years. The center's consulting services include legal advice, accounting, marketing, advertising, personnel management, and business plan development. Consultation is provided by professionals in the community and by faculty from Berry College, Floyd Junior College, Coosa

Valley Tech, and Georgia Tech. By 1990, four firms and nine jobs had been created through the slow expansion of the incubator.

Penn Yan, NY: Windmill Market Farm and Craft Co-op

Penn Yan is in the heart of the agriculturally diverse Finger Lakes Region of New York. Penn Yan and Yates County suffered hard times in the 1980s. Penn Yan's economic situation stemmed from the closure of two boat-manufacturing plants, with a loss of over 500 jobs. Although Yates County is one of the most agriculturally diverse counties in New York, agricultural prices were depressed during most of the decade.

A Penn Yan tire company owner and his wife proposed that Penn Yan should take advantage of its rustic, rural character and build a crafts and farmers market that would draw on the 1.8 million people living within an 80-mile radius of Yates County. Their concept was simple: The farmers needed a new market for fresh produce, and a crafts market would replace income lost from the closing boat-manufacturing plants.

The Federal Government rejected an application for a $124,000 grant to build the farmers' market, so the community took up the project on its own. With the help of the local extension agent, they organized the Yates County Cooperative and solicited $50,000 through a local stock sale to purchase land and construct a market building. The market building was built in 1 day by 50 local Mennonite farmers who pitched in for a traditional "barn raising." A communitywide, name-choosing contest followed, and the new cooperative was dubbed "The Windmill Farm and Craft Market." The market houses 200 vendors and draws 10,000 visitors on a busy Saturday.

Mars Hill, NC: Project Herbs

Tobacco has been the major cash crop in Madison County, NC, for decades. Over the past decade, tobacco prices have declined, partly because of changes in the price support system, in which growers were required to make the program "self-sufficient." When the tobacco price is low, growers cannot offset their production costs. These costs are high because tobacco requires large amounts of herbicides and insecticides, as well as commercial fertilizers. In addition, tobacco tends to cause a high rate of soil erosion. Finally, the elimination of the lease and transfer system has undermined the viability of tobacco growing for most small farms.[3]

Tobacco growers in the region were searching for alternative crops that would provide them with the same return on their investments as tobacco once provided. Several farmers experimented with growing tomatoes, shrubbery, and other similar high-value crops. So many farmers turned to Christmas tree production in the region that the market is now saturated. Tourism in the region has grown, but it has not had a major effect on the Mars Hill economy. Industrial recruitment has been largely unsuccessful.

Madison County developed a strategic plan for economic development in the mid-1980s. This program was sponsored by the Tennessee Valley Authority and involved the county government and a group of local leaders. The strategic planning group decided against providing incentives to attract new industry and chose instead to encourage homegrown industry that would build on the agricultural heritage of the county.

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[3]See profile of Yanceyville, NC (p. 7), for an explanation of these changes.

It was in this context that Project Herbs was initiated. Project Herbs is a self-development project promoting local business enterprises and jobs and income for small, family farms and low-income people in western North Carolina. A major goal of Project Herbs is to train growers to produce and market herbs. Technical assistance is provided in production and marketing, and an effort is being made to document what is being learned from this project and to transfer that information to other regions and organizations. Workshops and training sessions for local farmers were first held in 1987. The project formally began in the spring of 1988 with the opening of the Madison County Herb Store.

Project Herbs was founded by Richard Morgan, who returned to his home region after leaving an executive position in broadcasting, and Jane Threatt, who had worked in Washington as a congressional aide and with several grassroots organizations. The founders of Project Herbs see the project as an appropriate economic development strategy that can build on existing resources and provide additional jobs and income in the community. They found that herb production offers an alternative crop for tobacco growers and fits into the local strategy of building on the agricultural heritage of the region. The project generated supplementary income for 25 farm households.

The organizational basis for Project Herbs is In Our Own Way, a nonprofit, tax-exempt organization founded by Jane Threatt in 1982 to work with rural communities. The modest organization provides financial, technical, and human resources to communities so that they can help themselves.[4]

Oberlin, KS: Manufacturing Firms

Oberlin is a dry-land, wheat-cattle farming community in sparsely populated northwest Kansas. The community has a long tradition of self-development activities. Local residents raised money to build a television station in the 1950s and developed a community-owned feedlot and dairy in the late 1960s and early 1970s. When a traveling carnival notified the Decatur County Fair Board it would no longer come to town for the county fair, residents created a permanent home-grown carnival. Similarly, when the only movie theater in town closed, the community bought and operated the movie theater.

Strong demand for agricultural commodities and the proximity of western Kansas oil fields made Oberlin a prosperous community in the late 1970s. However, in the early 1980s, the local economy was hit hard by the farm crisis and a drought, followed by the recession in the oil industry. A manufacturer who built mobile geological huts[5] closed, and local residents decided to establish a bus-manufacturing company in the vacant building in Oberlin's industrial park. Oberlin and Decatur County residents raised $315,000 locally and used this to leverage a $400,000 Community Development Block Grant (CDBG) and a $500,000 loan from the Kansas Public Employees Retirement System. The bus company, Kansas Coach, went into receivership after being in operation for only $1\frac{1}{2}$ years. It was reorganized and produced school buses for a time, but at a much reduced volume. A similar fate befell a community-owned boat factory that was also initiated in the mid-1980s. The factory was financed through $170,000 in local contributions, a Small Business Administration loan, a CDBG, and a line of credit from a local bank.

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[4]In 1985, In Our Own Way sponsored "The Appalachian Project: Rural Women and the Economics of Hunger." The purpose of the project was to bring together women from Appalachia with representatives from over 30 regional, national, and international organizations involved in hunger-related issues. In Our Own Way also organized the Rural Dropout Prevention and Literacy Project, which was geared specifically to the dropout problem in rural areas, and the Threshold Communities Project, which focused on creating a network of mutual support and assistance in rural communities.

[5]Geological huts are used as places of shelter for geologists during their on-site oil drilling analysis.

East Hardwick, VT: Vermont Northern Growers Co-op

East Hardwick and the surrounding Northeast Kingdom region of Vermont has been traditionally an economically depressed area. By the 1980s, Hardwick's granite processing and manufacturing base had folded, dairy farming was in decline, and the potato industry had diminished to nothing.

The Vermont Northern Growers Co-op was formed in East Hardwick by a group of organic farmers to market their products and provide locally grown vegetables for area residents. The cooperative borrowed $18,000 to buy an old potato warehouse and a carrot planter and harvester. A manager was hired to run the storage facility and to oversee marketing. Member farmers raised organic potatoes, carrots, and rutabagas, which the cooperative handled, stored, cleaned, and marketed at cost. The cooperative in 1984 issued what it called "community equity" shares for local residents to support agriculture in the Northeast Kingdom region of Vermont and to help the cooperative expand. Although the cooperative did not reach the economies of scale needed to pay off its loans for purchasing the warehouse, it did enable local farmers to diversify from traditional dairy products. The more successful organic farmers gradually left the cooperative and did their marketing individually. After more than a decade of existence, the cooperative disbanded. The warehouse, as of mid-1992, was in the hands of a "large" organic grower.

Yanceyville, NC: Caswool Cotco

Yanceyville, the county seat of Caswell County, is located in the North Carolina Piedmont region near the Research Triangle and the Triad cities of Greensboro, High Point, and Winston-Salem. The county has a high proportion of elderly and other Medicaid and food stamp recipients. Flue-cured tobacco production accounts for approximately 75 percent of the value of agricultural production in the county. Consequently, changes in the Federal tobacco program in the mid-1980s, such as the change in the Federal quota system, changed the economic base of the community. Before 1986, flue-cured tobacco farmers holding Federal quotas could lease their quotas or portions of their quotas by the pound to other growers.[6] Many operators have stopped farming tobbacco because they could not afford to buy the quotas they had previously leased. Elimination of the lease and transfer system in 1986 consolidated tobacco production from 550 producers in 1986 to about 300 producers in 1990.

Caswell County's small manufacturing base shrank by almost 350 jobs when Hanover Mills closed in 1986. This caused several local citizens, led by the county extension agent, to develop the idea of a worker-owned business that would utilize local resources. The basic economic development strategy was to establish an umbrella organization, Caswool Cotco, which would serve as an incubator for worker-owned enterprises in the community. C.C. Knitting was the only organization established by Caswool Cotco. Four knitting machines for making wool sweaters were purchased with money donated by local people. The knitting cooperative folded in early 1991; not long after, another textile firm left the county and went to West Virginia.

Factors Influencing Self-Development Projects

The case studies suggest a number of common factors that appear to be related to the initiation and success of self-development projects. These are discussed under 1) contextual factors related to the

[6]A quota is a set amount of tobacco measured in pounds that a farmer can sell and still receive Federal price supports. If a farmer exceeds his quota, he is penalized according to how much is sold over and above his set amount. The Federal Government determines both the size of the quotas and which farmers hold them.

initiation of self-development efforts, and 2) choices available to the self-development project leaders and participants affecting the success or failure of the project.

Common Contextual Factors

Contextual factors include macroeconomic and macropolitical patterns at the national, State, and regional levels. They include elements that were discussed earlier, for example, changes in policy and allocation of resources at the Federal level, including decisions made by the Federal Reserve Board about money supply and interest rates. Changes in economic development policy, banking laws, and tax policy, as well as State fiscal soundness, are all important State-level contextual factors related to any local development efforts, including self-development. At the regional level, economic structure, levels of economic and population growth, differing investment climates, and human capital differences are all important contextual variables, and they also have an effect on local development. While all these factors affect economic development efforts, including self-development, we focus on two key local contextual variables: 1) the nature of the local economic crisis, and 2) the breadth of community leadership. Table 2 summarizes the measured contextual factors for each of the eight self-development case studies.

Crisis Situation

Most self-development cases were initiated following an economic crisis affecting the locality. Our survey of 103 self-development projects reveals that in over half the cases, self-development projects were initiated in response to a specific event in the community or area. The two most frequently cited reasons are a plant closing (39 percent) and a downturn in the local economy (44 percent). Most rural areas experienced a prolonged economic downturn during the 1980s. Therefore, it is not surprising that all the case study communities experienced some form of economic difficulty in the early 1980s, immediately prior to the initiation of the self-development effort. Plants closed in three communities (Penn Yan, Yanceyville, and Rome), and farm crises affected four (Yanceyville, Mars Hill, Oberlin, and Mankato). Depression in extractive industries occurred in two (timber in Orofino and oil in Oberlin). In Orofino, economic collapse followed the conclusion of a construction project, and a chronic depressed situation in East Hardwick preceded the 1980s. Thus, it appears that economic crisis is a precondition for self-development. Although economic crises are widespread in rural areas, only a few rural communities have adopted self-development strategies. It appears that a crisis is a necessary, but not sufficient, condition for self-development.[7]

Flexible, Diversified Community Leadership

Entrepreneurial communities respond to changing macroeconomic circumstances, such as those just described, and "cause development to happen" (Flora and Flora, 1990). Such characteristics are not individual, but community level. One of those community characteristics is a flexible, diversified community leadership structure (Flora and Flora, 1990).[8] Elements of such a leadership structure include at least the following: 1) there is a rotating community leadership structure, 2) newcomers are

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[7]Although nearly half of the 103 survey respondents did not indicate that a local economic crisis had contributed to initiation of the self-development project, the case study results suggest that a local or generalized economic downturn set the stage for initiation of self-development efforts. Perhaps the wording of the question prompted some who saw no specifically local economic crisis to answer the question "No" although they may have believed the general economic downturn did contribute to the initiation of the project. We simply cannot say for sure because of the way the question was asked.

[8]Others include 1) acceptance of controversy as normal, 2) the ability to depersonalize politics, 3) a long-term emphasis on academics in the schools, 4) enough surplus resources to allow for collective risktaking, 5) willingness to invest that surplus in local private initiatives, 6) willingness to tax themselves to invest in the maintenance of rural infrastructure, 7) the ability to define community, so that consolidation has meant larger boundaries for smaller communities, not a win-lose battle, and 8) the ability to network vertically and horizontally to direct resources, particularly information, to the community (Flora and Flora, 1990).

Table 2—Contextual factors associated with self-development projects

City, State, and name of project	Economic situation	Involvement of women	Involvement of newcomers in leadership
Mankato, KS, Revolving Loan Fund	Farm crisis	Implementer	Yes (Mankato Development Commission, Exec. & Pres.)
Orofino, ID, Orofino Unlimited	Timber crisis	Key staff person	Yes (Outreach specialist)
Rome, GA, Center for Industry	Industrial decline	None	Yes (Executive Director Industrial Development Commission initiated project)
Penn Yan, NY, Windmill Market Farm and Craft Co-op	Plant closing	Leadership of both sexes	Yes (Mennonites from Pennsylvania)
Mars Hill, NC, Project Herbs	Farm crisis	Initiator	Yes (initiator was newcomer)
Oberlin, KS, Manufacturing firms	Farm crisis	Minimal	Yes (president of boat company and manager of bus coach company)
East Hardwick, VT, Vermont Northern Growers Co-op	Perennially depressed area	Minimal	Yes (back-to-landers)
Yanceyville, NC, Caswool Cotco	Plant closing and farm crisis	All women, except extension agent	Yes (extension agent)

allowed to take leadership roles in the community, and 3) the climate is favorable to the participation of different groups in leadership roles in the community—women, minorities (if minorities are in the community), and those with diverse socioeconomic and occupational characteristics.

Rotating Community Leadership. John and others (1988), in their study of counties with rapid employment growth in seven Farm Belt States, concluded: "It was commonly found that one individual plays the role of 'sparkplug,' maintaining the partnership [of local leaders] through good times and bad." Our results suggest the "sparkplug" theory of leadership for this kind of economic development is incomplete. In both the Mankato and Orofino cases, there was a diversity of leadership that came to the fore at different times during the projects. The Windmill Cooperative was spearheaded by the tire company owner and his wife, but the project now operates under new leadership and continues to prosper. The Center for Industry in Rome, GA, and Project Herbs continue to depend on the leaders who established them. However, one can argue that a broader base of support and leadership will be necessary for the Center for Industry to expand.

While diversity of input and periodic rotation of leadership are important, diffuse leadership is usually undesirable. Caswool Cotco (an unsuccessful case) can be said to have suffered from near absence of leadership. One of the main problems for the Vermont Northern Growers was the decision to abrogate the authority of the cooperative's board of directors. Although the organization originally did have a board of directors, some felt that all cooperative members should participate in the decisionmaking process. This led to each representing his/her own interests and no one representing the interests of the cooperative as a whole. Growers made demands on the cooperative without making investments in return. They set the percentage of sales the cooperative would retain before the product was sold, instead of after the books were closed. Maintaining a board of directors and hiring a manager who

could make business-oriented decisions for the success of the cooperative might have prevented these short-sighted policies.

In contrast, the Windmill Cooperative had an elected board of directors that made policy decisions for the cooperative. Day-to-day business decisions were left to the cooperative manager. The Windmill Cooperative had diversified leadership, whereas, the Vermont Northern Growers Cooperative and Caswool Cotco came to have highly diffused leadership and an absence of leadership.

The financial situation of both the bus coach and the boat firms in Oberlin might have improved with strong leadership. Their failure might be blamed on "too many cooks spoiling the broth." The problem, however, was not the board's participation in the projects per se, but a failure to follow certain basic management rules: 1) in the case of the bus coach factory, the need to design and produce simultaneously a product with which community members had little experience meant that overall management complexity was too great for the limited human and financial resources available; 2) in the case of the boat company, too much emphasis was placed on production at the expense of developing a diversified marketing approach, and 3) in both cases, the community had entered into highly competitive fields where local production costs were too high to be competitive. The agricultural and artisan experiences of the workforce did not prepare its members for low-cost assembly-line work. Management lacked sufficient knowledge to take advantage of those skills necessary to develop efficient assembly teams. Although the workers controlled the production process rather than it controlling them, labor costs were simply too high to compete in a highly competitive industry.

If one examines the experience of Oberlin, KS, as an entrepreneurial community for nearly a quarter century (Flora and Flora, 1991), there is evidence that for the community as a whole a diverse and changing leadership structure has been an asset, not a liability. In the early 1970s, Decatur County citizens organized a feedlot and a dairy by selling shares of stock to local investors. In the mid-1980s, when community investors put up seed money to establish a bus coach factory and a boat factory, there were a number of leaders who organized the firms. A younger group of leaders emerged to organize the boat-building company, while the leaders of the bus coach firm included many people who had been involved in the feedlot and dairy firms. Rather than one person being the "sparkplug" on whose shoulders rested the responsibility for all changes, a variety of people took on the leadership roles at different times. Thus, the success or failure of each enterprise did not depend on the energy of one person, nor on the long-term goodwill of other participants toward that person.

An important difference between the communities we studied, on the one hand, and those documented by John, Batie, and Norris is that the latter involved recruitment of branch plants, whereas communities such as Oberlin, Orofino, Mankato, and Penn Yan concentrated on locally owned, self-development firms. Firms planning to move a branch plant prefer to deal with only one person at the potential destination. Secrecy is often exacted by the footloose firms so that their existing workforce does not know that the firm is contemplating a move until it is a *fait accompli*. Thus, industrial recruitment and inclusive self-development may work best under opposite forms of organization. Industrial recruitment is perhaps best carried out by tightly linked hierarchical organizations with one person in charge, while inclusive or community-wide self-development seems to be more effective under a participatory mode where no one leader is indispensable. This is a hypothesis worth testing.[9]

[9]Appropriate leadership structure of group-focused, self-development efforts is much less clear. Project Herbs seems to have survived because of the strong leadership of its two founders, while Caswool Cotco and the Vermont Northern Growers Cooperative seem to have failed because of the lack of leadership. The absence of leadership is not the same as diversified or rotating leadership.

Inclusion of Women and Minority Groups. Women and minorities are often excluded from meaningful participation in rural economic development efforts.[10] In the self-development case studies, women's exclusion from leadership was most evident in Orofino, ID, and in Oberlin, KS

The original meeting of Orofino Unlimited, Inc., was dominated by what residents referred to as the "usual do-ers." The usual do-ers were all male. Mary Emery, a Lewis and Clark State College community outreach specialist, was the only woman at the meeting. Emery explained to the usual do-ers that they needed to invite other members of the community (especially women) to the meeting if the project was to attract widespread community support. Several women were invited to the next meeting, and a local woman was named executive director.

There were no women on the initial board of directors of the Oberlin bus coach company. A woman from another community was named to the reorganized board. Only one woman was on the board of the boat factory. The executive director of the chamber of commerce was a woman, but she played only a minor role in the development of the two industrial firms.

There did not appear to be strong gender differences in most of the other self-development projects. Vermont Northern Growers Cooperative was run by men. The Windmill Co-op was founded by a couple and a woman was named market manager. The board of directors is evenly split between women and men. Project Herbs is co-led by both a woman and a man. Caswool Cotco was led by women, although the county agent (a man) was instrumental in initiating the cooperative. Minorities did not hold leadership positions in any project, although there are significant African American populations in Rome, Mars Hill, and Yanceyville. Nor did minorities benefit from the projects.

Self-development efforts are quite risky. To succeed, a community must have the best talent available and must have the support of all social groups in the community. Broad representation of diverse community groups, including women and minorities as both participants and leaders, can help assure the success of such efforts.

Involvement of Newcomers. In several of the self-development cases, newcomers were essential to the initiation and implementation of the project. Newcomers frequently have a wider range of experiences and have more outside contacts than do natives. They see things from a different perspective than do long-term residents and, at least for a period of time, are not limited by the multiple roles through which long-term residents relate to others in the community, often preventing them from pushing for change. Failure to establish and cultivate the linkages that arise from knowing long-term residents in their multiple roles may result in newcomers' proposing unacceptable changes or changes that may offend powerful interests, thereby dooming a project to failure. On balance, the new perspectives and different skills and contacts brought by newcomers can contribute to grassroots change, if they are allowed into positions of influence.

In most rural communities (especially smaller and more isolated ones), community members interact with one another on a regular, informal, and relatively personal basis (called high density of acquaintanceship). They know each other through multiple roles (Freudenberg).[11] This often leads to

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[10]The authors have observed in their research and applied work that when the post of economic development director is part time and low paying, it is usually occupied by a woman; when it is full time and higher paying, it is usually occupied by a man.

[11]High density of acquaintanceship, according to Freudenburg, is associated with small population size, long length of residence, anticipated continuing residence, low diversity, and high segregation (both social and physical) of people who are different from each other.

High density of acquaintanceship in turn leads to role homogeneity. Role homogeneity refers to the extent to which community members interact with one another across a wide variety of settings—not only at the local grocery store. Because people see one another across a range of roles, they develop relationships with one another based on the "whole" person. Rural communities, in part because of their smaller size, offer environments in which these features are likely to emerge.

the repression of controversy, because of fear that confronting people (or their relatives) in one role may lead to problems in another setting where they play a different role. For instance, the head of the parent-teacher association may hesitate to disagree with the school board chair if the school board chair is that teacher's spouse's employer. Such multiple-role relationships occur more frequently in small communities. Rather than issues being aired, they remain pent up. When they do emerge, there is more likely to be an explosion and possibly a rift in the community. Similarly, since everyone knows one another, discussion of politics in rural communities tends to emphasize personalities, rather than issues (Flora and Flora, 1990).

The Windmill Market Cooperative of Penn Yan, NY, most readily incorporated both newcomers and natives into the process. Penn Yan has various groups of newcomers—including a settlement of Mennonite farmers from Pennsylvania—as well as artists and crafts artisans who have settled in the Finger Lakes Region. Here, the fact that newcomers came with their own power base and group identities is important to the functioning of the project. The newcomers were looked upon as an asset to the cooperative market. In fact, the name "Windmill" is a symbol of the lifestyle of the Mennonite farmers. At the same time, a native tire dealer and local rotarian (with the assistance of his wife) was the chief initiator of the self-development project.

Orofino has a steady supply of newcomers who come to work in various government service fields. One of the reasons these newcomers have not been incorporated into influential positions in the community in the past might be the business orientation of Orofino's community booster organizations. Local bureaucrats have little reason to belong to the chamber of commerce or progressive merchants. Orofino Unlimited has welcomed these newcomers and tapped into their expertise to help plan community development projects and cultural events. Orofino Unlimited has also generated informal ties between government officials and local business people. Because of these informal ties, when a conflict develops over the Dworshak Reservoir or in the Clearwater National Forest, members of Orofino Unlimited can approach the government officials on a personal level to try to resolve the dispute. Thus, controversy can be dealt with before lines of conflict are drawn.

The founders of the Vermont Northern Growers Cooperative (VNGC) included both progressive locals and back-to-the-landers who had recently moved to the area. The cooperative became dominated by back-to-the-landers in later years as the more profit-oriented locals found they could better market organic root crops on their own. According to one informant, this left a majority of "independent, anti-institutional idealists who weren't willing to run the cooperative as a business." The VNGC provides an example of the disadvantages of newcomers having dominant influence in a self-development project.

The key person in Rome promoting the Center for Industry was the executive director of the Industrial Development Commission (IDC), who had been recruited from North Carolina a few years earlier. He came to the IDC with a considerable amount of experience and knowledge of how the field of economic development had changed in recent years. In particular, he was aware of the shift in orientation away from industrial recruitment as the sole basis of an economic development strategy. He points to the fact that growing one's own local industry has become an essential part of these strategies. However, because no one in the community was taking the lead on the issue, he established the Center for Industry, a business incubator. In time, IDC's movement into activities other than industrial recruitment met with some resistance. Several board members felt that the sole mission of the IDC was industrial recruitment, and that self-development activities came at the expense of industrial recruitment.

The executive director defended his self-development activities by claiming that the incubator was not requiring a lot of his time and did not detract from his industrial recruitment activities. However, the chair of the IDC Board established a committee to review the mission of the organization. This case

illustrates the difficulty of maintaining self-development activities alongside industrial recruitment. Our survey revealed that the two approaches to economic development often occur in the same communities. This case study suggests that the coexistence may be an uneasy one.

With her extensive background in economic development, Jane Threatt was an invaluable asset to the Mars Hill self-development effort. In 1985, she moved to Mars Hill and began making contacts in the community. She has been able to involve several key individuals in the new initiative. Much of the success of the project is due to her ability to overcome the barriers that may face newcomers in such a community. In this case, it appears that the lack of indigenous community leadership permitted her to become influential in a short time.

Newcomers face many obstacles as they attempt to implement a self-development project. A key advantage, however, is that they are less constrained by the dense social ties characteristic of most rural communities. The ability of communities to bring newcomers into the local power structure and provide some support for their ideas appears to be a key to the implementation of self-development strategies.

Organizational Choices Affecting Self-Development

Choice of Project

The choice of whether to develop a project that seeks to incorporate a broad range of socioeconomic groups, or to focus on a particular homogeneous group within the community, has important implications for other choices that follow. The former we have called the inclusive approach, and the latter, the group-focused approach. Once it is determined which of these two approaches will be used, strategic planning can narrow the choices to a particular type of project.

Inclusive Versus Group-Focused Projects. The case studies examined are of two types: those designed to obtain participation of the entire community (inclusive), and those designed for a particular socioeconomic or occupational group within the community (group-focused). Whether a project is inclusive or group-focused helps determine which strategies will be successful. The ensuing discussion, with illustrations from the case studies, may help to clarify those differences.

As indicated in table 3, the Oberlin industrial production projects, the Mankato Revolving Loan Fund, Orofino Unlimited, and the Rome Center for Industry were carried out in the name of the entire community or locality. On the other hand, Vermont Northern Growers Association, Project Herbs, Caswool Cotco, and the Penn Yan Windmill Market were limited to farmers in the first two cases; to former industrial workers in the third; and to farmers, craftspersons, and those willing to become small vendors in the last case.

The most obvious difference between the two kinds of efforts is that the inclusive projects can more plausibly seek community resources by arguing that benefits will accrue to the entire community. (Although such projects may, in fact, benefit only certain groups, they are done in the name of the entire community.) A good indicator of this difference is the relative ease with which the inclusive projects obtained local government assistance. In the case of the bus coach and boat factories, the city of Oberlin provided no direct funding, but it did act as the pass-through entity for the Community Development Block Grants. The Mankato Revolving Loan Fund is partly administered (and owned) by the city of Mankato. The city of Orofino provided $1 million of in-kind funds for the revitalization project conducted by Orofino Unlimited. The city of Rome and Floyd County each contributed $50,000 to the Center for Industry.

Table 3—Self-development project organizational choice variables

Item	Type of project	Choice of project	Organizational structure	Financing	Technical assistance
Successful:					
Mankato, KS, Revolving Loan Fund	Community-based	Small business loan fund (inclusive)	City-owned fund; loans recommended and administered by private business association	$40,000 from CDBG: matched by proprietors and local banks	North Central Kansas Regional Planning Commission
Orofino, ID, Orofino Unlimited	Local business & ind. dev.	Downtown revitalization (inclusive)	Nonprofit economic development organization	$150,000 local businesses; $300,000 absentee-owned businesses; $1.5 million HUD grant; and $1 million from city	Outreach specialist from Lewis & Clark State College
Rome, GA, Center for Industry	Local business & ind. dev.	Incubator for small industrial firms (inclusive)	Subsidiary of countywide Industrial Development Commission	$100,000 city and county; $150,000 Appalachian Regional Commission; $200,000 CDBG	Advanced Technical Development Center of Georgia Tech
Penn Yan, NY, Windmill Market Farm and Craft Co-op	Community-based	Retail market for crafts, foods, and merchandise (intermediate)[1]	Cooperative	$50,000 in shares of stock; $10,000+ in materials and pavilion; $200,000 SBA loan	Cornell Agricultural Economics Extension Specialist
Mars Hill, NC, Project Herbs	Community-based	Herb marketing (group focused)	Nonprofit organization	$400,000 Chamber of Commerce; small contribution from regional foundation, Regional Council, local businessess and churches	North Carolina Department of Agriculture
Unsuccessful:					
Oberlin, KS, Manufacturing firms	Local business & ind. dev.	Locally owned industrial firms (inclusive)	For-profit stockholder firms	$485,000 in local subscriptions; $500,000 CDBG; $90,000 SBA loan	Kansas Public Employees Retirement System & SBDC
East Hardwick, VT, Vermont Northern Growers Co-op	Community-based	Organic food production and marketing (group focused)	Cooperative	$3,000 in equity shares; $1,600 from local church	Local and State Agricultural Extension
Yanceyville, NC, Caswool Cotco	Community-based	Knitting firm (group focused)	Nonprofit umbrella organization; worker-owned firm	Six churches and foundations; less than $30,000 total	Local county agent and church-related Third World P.V.O.

CDBG = Community Development Block Grant.
HUD = U.S. Department of Housing and Urban Development.
P.V.O. = Private Voluntary Organization.
[1]Shifted from group-focused to inclusive.
SBA = U.S. Small Business Administration.
SBDC = Small Business Development Center.
Local Business & Ind. Dev. = Local Business and Industrial Development.

Not only did none of the group-focused projects receive local government assistance,[12] but they also found it difficult to access resources from other local organizations. Project Herbs received $4,000 from the Mars Hill Chamber of Commerce and some assistance from local businesses. When the Vermont Northern Growers attempted to generate capital by encouraging local persons to invest in the cooperative's stock in 1983-84, they were largely unsuccessful in obtaining investments from nonmembers.

Strategic Planning. The appropriateness of a project for the community is often an important determinant of its success. Communities relying on industrial recruitment for economic development usually do not consider the strategy's appropriateness for the local situation. In contrast, a conscious appraisal of the strengths and weaknesses of the local economy is evident in many self-development cases. This is done either through a formal strategic planning process or by simply concentrating on the skills and resources of the region.

Orofino Unlimited went through a strategic planning process that pinpointed appropriate economic development prospects for the community. The group identified the community's economic strengths, weaknesses, opportunities, and threats (SWOT analysis). Thus, the organization chose projects that were doable and practical for the area. This included revitalizing the downtown, using cultural activities to take advantage of tourist traffic on route 12, seeking to fill the local need for a retirement center, and building a crafts booth to help local people sell their wares.

The strategic planning process held in Mars Hill was initiated by the Madison County Chamber of Commerce. The process led the chamber to conclude that the county should not seek to attract new businesses to the area, but should instead focus on "home-grown" industry. Because of this decision, the Madison County Chamber of Commerce supported Project Herbs with a $4,000 donation from a fund set aside for the development of home-grown industry.

Vermont Northern Growers Cooperative and the Windmill Market in Penn Yan both capitalized on the strengths of their regions. Neither group held a formal strategic planning session, but they did look to build on local resources. Vermont Northern Growers combined the potential of an existing abandoned potato barn with innovative organic growing techniques to raise premium root crops that could be stored through the winter. The Windmill Market utilized the presence of the Mennonite culture, area crafts people, and the tourism pull of nearby Finger Lakes wineries to attract shoppers and tourists to an isolated spot on the highway between Penn Yan and neighboring Dundee.

In contrast, Oberlin did not exploit its strengths in establishing the bus coach and boat factories. In its earlier feed yard and carnival projects, Oberlin had drawn on those strengths. By building the factories, Oberlin tried to diversify its economy with two companies that did not particularly fit the advantages of the local area. Potentially useful skills learned on the farm, such as welding, did not transfer easily to the assembly-line setting needed to make the bus company competitive. Similarly, Oberlin lacked the management expertise to run complex firms that had to engage in production, marketing, and research and development at the same time. As one principal in Kansas Coach, the bus coach manufacturing firm, put it, "The learning curve just didn't flatten as fast as the bank account." Oberlin jumped at the bus and boat projects because the community was desperate for a means to generate jobs to offset the effect of the farm crisis, but this is precisely when the need for

[12]Local government assistance was sought in the case of the Windmill Market. The industrial development specialist of Yates County assisted in preparing a grant application, even though there was no official involvement of local government. Local government in Caswell County was concerned with industrial recruitment and did nothing to encourage or discourage Caswool Cotco, although the county extension director was instrumental in the early development of the cooperative. In the other cases, local government assistance was not sought.

strategic planning is greatest. A strategic planning process led by a skilled outsider[13] could have saved the community a good deal of money and grief.

Choosing a Suitable Organizational Structure

Finding a suitable organizational structure for the self-development project has important consequences regarding how an activity is managed and how it raises capital. Some of a community's options for implementing projects include establishing a for-profit corporation, a cooperative, or a nonprofit organization. Highly entrepreneurial community development efforts can involve multiple organizations, meeting specific needs with specific organizational forms in order to increase organizational flexibility. Each alternative has a set of advantages and disadvantages. Of specific interest is the community's ability to understand the roles, responsibilities, and limitations that come with the organizational structure that is chosen.

Both the Windmill Market and the Vermont Northern Growers formally organized as cooperatives. The cooperative form had advantages and disadvantages, working better for the Windmill Market than it did for Vermont Northern Growers. One becomes a member of the Windmill Cooperative by renting a stall and successfully completing a year's probation. All proceeds from the sale of produce, crafts, or food go directly to each individual proprietor. Income for the cooperative itself comes from the sale of stalls. Thus, income is predictable and reasonably stable, and accounting is straightforward. The main problem with the cooperative form was that the Windmill Market could receive neither grants designed for nonprofit organizations nor tax-deductible contributions. New York State has special securities provisions for cooperatives as long as nonmember stock is sold only within the State. The Windmill Market, therefore, did not have to register with the Securities and Exchange Commission, but its members did have to pay taxes on returns on their equity.

Vermont Northern Growers was also formed as a cooperative, but it utilized an affiliated nonprofit organization to attract grants and donations from nonprofit organizations. The cooperative could not accept tax-deductible donations, but the National Organic Farmers Association (NOFA) could. NOFA could take contributions that were tax deductible, and then give a grant to Vermont Northern Growers.

Kansas Coach in Oberlin operated as a for-profit corporation. One of the problems of operating in this manner was that under Kansas Securities Law, a corporation has to issue stock if it has more than 15 investing members.[14] Issuing stock can be a complicated (and expensive) legal proposition for a small enterprise. The total cost of putting together the prospectus was $50,000. This involved setting up multilayered legal entities to handle stock investments, the Community Development Block Grant, and the loan from the Kansas Public Employees Retirement System. However, the organizational flexibility established made future changes in the structure of the firm easier.

Orofino Unlimited was organized as a nonprofit economic development organization, which enabled the organization to make grants and loans to private enterprises—such as the proposed retirement center in Orofino—and to act as a conduit for tax-deductible contributions to be channeled into private economic development activities. However, contributors can receive no direct returns on their "investments."

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[13]Only an outsider could provide the neutrality among community factions that would be essential for a successful strategic planning process.

[14]Decatur Manufacturing, the boat company, avoided this problem by having investors make contributions to the Oberlin Industrial Development Committee (which itself became a stockholder) and by limiting direct stockholders (those who made the largest contributions) to fewer than 15.

A central question facing Project Herbs is: What structure would best serve the future needs of the organization? Presently, the project operates as a nonprofit organization. But organizers anticipate the project will spin off from In Our Own Way over the next few years and evolve into a different type of organization. The herb store is currently being subsidized by In Our Own Way, but the store should be able to stand on its own in 1994. One possibility involves becoming a cooperative. Given the local culture and the lack of experience in cooperative activities among growers, however, a cooperative form of organization does not appear to be viable in the short run. Another possibility is that shares of the organization could be sold to growers and others in the community. Under this organizational structure, community members would be the owners, and the organization would be a for-profit corporation. This alternative is considered more likely to work, because of the suspicion with which cooperatives are viewed.

Caswool Cotco developed a worker-owned cooperative, C. C. Knitting. Caswool Cotco was a nonprofit organization intended to serve as an incubator for a large number of "for-profit" organizations in the community. This structure enabled C. C. Knitting, through Caswool Cotco, to obtain funding from several foundations that would provide money only to nonprofit organizations. However, the organization faced numerous problems because of its status as a worker-owned cooperative. One of the major problems was the lack of management skill, and even the lack of a desire to manage, among the worker-owners. Another problem was a lack of knowledge of marketing. They advertised in crafts catalogs, but stopped doing so when cash-flow became a problem.

Organizational structure is a key to the success, and to the problems, of the business incubator in Rome. In many localities, economic development efforts are centered in either the city manager's office or a community development agency (Green and Fleischmann), which allows the locality to have a "one-stop manager" of economic development activities. Statewide developers feel that forcing them to gain approval from several different agencies produces inordinate delays. Industrial prospects prefer to deal with communities that "speak with one voice." The incubator at the Center for Industry was established under a loose arrangement between the chamber and the Industrial Development Commission. This arrangement provided the incubator with more autonomy than would have been the case if the center were directly controlled by the chamber. Such a decentralized structure permits greater flexibility and innovation. On the other hand, under a centralized organization, economic development activities are more coordinated, more efficient in the short term, and more accountable to the board of directors than in a decentralized structure. The key reason for choosing a decentralized structure in Rome, however, was that the local power structure was dominated by those who favored industrial recruitment over all else.

Our case studies have revealed that organizational structure is one of the most important choices facing self-development projects. There is no single structure appropriate for all projects. A nonprofit legal status has numerous benefits for projects in the birth stage, but this status may not work for many projects at a more mature phase. Often it is desirable to establish both a for-profit and a nonprofit entity, in order to get many of the advantages of both.

Gaining Access to Capital

A community's ability to gain access to capital to invest in a self-development activity is essential. The survey data revealed, however, that access to capital was the biggest obstacle facing self-development projects (Green and others, 1990). Furthermore, capital was a much greater problem for so-called "community-based development" projects than it was for "local business and industrial

development" and "tourism and historic preservation" projects.[15] As indicated in table 3, all the group-focused cases are included in community-based development, while the inclusive cases fall into the other two categories. Five-ninths of the community-based projects in the survey indicated that lack of availability of capital was a great obstacle; the corresponding proportion for business and industrial development projects was one-third, and for tourism and historic preservation, one-tenth (Green and others, 1990). Projects in which local governments were not initiators experienced greater difficulty in obtaining funding than did projects started by local government (Green and others, 1990, p. 67).

In most of the inclusive case studies, there were sufficient sources of local capital. Oberlin raised $350,000 from local investors for the bus coach company (Kansas Coach) and was then able to leverage $400,000 in the form of a Community Development Block Grant (CDBG). That was followed by a $500,000 loan from the Kansas Public Employees Retirement System (KPERS) for a total package of $1.25 million. Because of the initial abundance of capital, Kansas Coach did not go through a necessary growing and learning process. Instead, it grew too fast and attempted to do too many things at once. Eighteen months after starting operation, the company had $500,000 of unfilled orders, but it had spent all of its operating capital. The company closed its doors and then filed for bankruptcy. The progression of the Oberlin boat factory was similar.

The city of Oberlin received the CDBG grants earmarked for the bus coach and the boat factories. Because both of the Oberlin cases were high-risk startup firms, the private sector participants in the financial package insisted on having first mortgage on plant and equipment as a condition for their participation. Because the city did not have first mortgage on the relevant property, it lost all money from the grant. If the city had had a lien on the property, it could have continued to use that money in a revolving loan fund to spur further self-development, as was done in another self-development project in Mankato.

The Mankato loan fund originated from the CDBG obtained in 1986 to retain the Dubuque Packing plant in the community.[16] The funds allowed the company to update its branch plant near Mankato. It was logical for the city to have first mortgage on the plant, since it was the sole investor in the expansion. Because the city had the lien on the property, it was able to insure that loan payments were made despite the closing of the plant only a year after receiving the loan. The city was then able to make small business loans (from the money being repaid to the city) to generate or save jobs in the county. As a condition for receiving a loan, each recipient was required to match it with funds from other sources (usually commercial bank loans or personal savings).

Orofino Unlimited (OUI) raised its operating capital in small amounts ($25 to $1,500) from local businesses and individuals. Consequently, OUI was able to pay a half-time director and pull together

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[15]So-called "community-based projects" included community financial institutions (such as revolving loan funds and community credit unions), community land trusts, community- and worker-owned enterprises, community-based service firms (such as health facilities and cable TV systems), and agricultural marketing organizations (including farmers' markets). Self-development projects in general are "community based," but for consistency we have retained that term for one of the three categories of self-development, since it was used in previous publications on this project.

"Local business and industrial development" included locally controlled industrial firms, programs for retention and expansion of local business (including downtown revitalization efforts), value-added activities (such as processing locally produced agriculture, forest, petroleum, or mineral products), business incubators and small business assistance centers. "Tourism projects" (recreational developments, art festivals, crafts fairs, and other income-generating cultural activities) were combined with "historic renovation or preservation projects" to form the third category.

[16]In spite of the loan, the plant was closed by the parent firm a year after receiving the funds for modernization. Dubuque Packing Co. was later bought out by BeefAmerica, but the successor company continued to pay its debt, largely because iron-clad wording on Mankato's holding the first mortgage on the plant had been obtained by a Mankato banker, the executive director of the North Central Kansas Regional Planning Commission, and the Mankato city administrator. Further, a large corporation must honor its debt obligations or face civil suits and loss of credit rating.

short-term, up-front money to sponsor cultural and other "doable" events. These events were of an appropriate scale and made participants aware that their money and efforts were working for them.

OUI also raised $500,000 from local investors for the retirement center, mostly from people who had saved for their retirement and would directly benefit from the project. Other small investors were interested because the retirement center appeared to be a sound financial investment. The center has yet to be built because, according to backers, the savings and loan crisis has hamstrung their efforts to put together a financial package.

Financing for Rome's Center for Industry came from a variety of sources. The city and county each made a $50,000 loan to the incubator, and the Appalachian Regional Commission made a grant to the Industrial Development Commission (IDC) for $150,000. In its first year, the IDC received a CDBG for $200,000, as well as loans totaling $300,000 from local banks. This amounted to an expenditure of more than $80,000 for each of the nine jobs generated. That contrasts with the $20,000 expenditure per job created in Mankato.

The group-focused projects experienced greater difficulty in obtaining financing. The Windmill Market, which falls between an inclusive and a group-focused project, relied on a combination of local investment and sweat equity to make the market a reality. The cooperative originally applied for a $124,000 HUD grant, but the application was denied because the project did not fit HUD guidelines, which required that the project result in the creation of full-time jobs. All the jobs created by the Windmill Cooperative were part-time, except for the manager. Cooperative members decided to go ahead with the project anyway. Local residents raised $50,000 through a local stock sale and later acquired a $200,000 guaranteed loan through the Small Business Administration. The first market pavilion was built with donated materials and labor. An intense media/publicity campaign was handled free of charge by a local public relations firm.

The Vermont Northern Growers Cooperative raised money from a variety of sources. The cooperative received two small grants totaling $800 from a local church, a $14,000 grant from the Campaign for Human Development, and an $8,000 grant for a VISTA volunteer to run the cooperative. A local bank loaned the cooperative $18,000 to purchase the potato barn, allowing payment on the principal to slide as long as interest was paid on the loan—probably because the bank has no use for an old potato shed. One result of the bank's not calling in the loan may be that the cooperative was not forced to operate under sound business practices.

However, the cooperative did have problems raising other capital in the community, ostensibly because the project was not viewed as contributing to the community as a whole. The "community equity" shares offer brought in only $3,000 of an anticipated $20,000. As one observer said, only people who needed the cooperative bought shares, and they did not buy enough. Not all of those who sold through the cooperative were members. By being nonexclusive, the organization lost an opportunity to raise capital. However, as discussed later, the cooperative's problems were more organizational than financial.

Caswool Cotco relied on some local funds, and several individuals donated money for four knitting machines. Moreover, the group sold $25 memberships to about 30-40 people. Surprisingly, access to capital was not a big problem because the group was successful at grant writing. The primary sources of funding were foundations and churches. Rather, the problem was that grant money tended to be used for operating expenses, instead of investments leading to a self-sustaining business. As with the Northern Vermont cooperative, the problems were organizational, not financial. (These organizational problems are discussed later under "Choices in the Use of Vertical Linkages.")

Funding for Project Herbs was obtained from the Land-of-Sky Regional Council and the Z. Smith Reynolds Foundation. Threatt and Morgan wrote several grant proposals and approached several funding agencies and foundations, but were unsuccessful in almost all of their attempts. Many foundations were not interested in funding a project on such a small scale. This orientation is an important obstacle for local self-development efforts seeking to begin small and grow over time. Ironically, by proposing larger projects, self-development efforts may improve their chances of getting funding, while decreasing their likelihood of success.

The bus and boat companies in Oberlin are examples of starting too big, while the Mankato revolving loan fund is an example of beginning small and being able to learn from mistakes before handling large amounts of money. This gradual building of the revolving loan fund is an inadvertent, but important, feature of the small cities' CDBGs.

The case studies revealed several strategies for gaining access to credit for self-development projects. A key appears to be the ability of the project to use local funds to leverage external sources of capital. There was also evidence that traditional sources of credit viewed these projects as too risky. That view has some validity, but it may also be due in part to bankers' inexperience with such projects. Further, most projects lacked collateral. Self-development projects will have to continue to make use of alternative sources of capital. Although many group-focused projects in the survey indicated that lack of capital was a major obstacle, the case studies show instances where failure was caused more by organization problems than by a shortage of capital.

Choices In the Use of Vertical Linkages

Vertical linkages are the ties community groups have to organizations and individuals beyond the community (Warren). A key to the success of a self-development project is the ability to use these vertical ties without yielding control of the project.

One extremely important vertical linkage is to external sources of technical assistance. Few small towns and rural communities possess the economic development expertise to implement innovative self-development projects entirely on their own. On the other hand, an economic development project that is largely implemented and run by an outsider is not "owned" by the community and, therefore, not likely to survive.

Role of Outside Technical Advisors/Catalysts. Orofino Unlimited formed soon after Lewis and Clark State College (LCSC) opened an outreach and adult education office in Orofino. Mary Emery, LCSC's community development outreach specialist, served as a facilitator for both community development organizations, and was instrumental in making sure OUI actively encouraged broad-based participation. As an outsider, she provided support, yet made sure local people initiated the projects and felt ownership for them. In Emery's words, the best leadership from the technical assistance provider "...is when no one notices its presence. In that sense, we have been a raging success! The downside is that we rely on soft money, and good publicity helps us to maintain our funding."

The Windmill Cooperative received technical support from the Yates County Industrial Development Authority (IDA) agent. The county IDA office had been focusing on industrial recruitment, but the IDA agent provided technical, business plan, and grant writing assistance to this unconventional idea. Another important source of outside technical assistance was the cooperatives specialist for the Cornell Extension Service. He was one of the founders of Vermont Northern Growers Cooperative. He was an essential resource for overcoming the obstacles in incorporating as a cooperative and running a business-like cooperative venture.

In the case of the Mankato Local Revolving Loan Fund, a crucial decision point was defining the terms of the loan (from the CBDG funds) to be made to Dubuque Packing Company. In order for the revolving loan fund to work, a way had to be found to ensure that Dubuque or any successor pay back the low-interest loan. This was accomplished through the cooperation of three people: 1) a newcomer who was vice president of the First National Bank of Mankato and a director of Mankato Commercial Development—the private sector organization that administers the RLF on behalf of the city; 2) another newcomer and lawyer from Chicago who had interned in a Mankato firm and then returned to practice law in Mankato for a brief period; and 3) an outsider who is the director of the North Central Kansas Regional Planning Commission, which covers a 10-county area, including Mankato. They made sure that, if Dubuque ceased to exist, the city "would not be left high and dry." The loan was written so that the city of Mankato held first mortgage on the building, and the packing plant has made all but one of its payments on time.[17] As a result of their technical training, these three individuals recognized better than most long-term resident leaders how the agreement had to be written to protect the city. Although the former bank vice president and the lawyer from Chicago no longer live in the community, they left an important legacy.

Another crucial need for outside technical assistance providers is in the development of business plans. Business plans can be important in guiding a fledgling business, as well as in convincing funding sources of the project's viability. According to the survey analysis, self-development project participants said the most frequently used technical assistance provider was the Small Business Development Center (SBDC). In fact, the SBDC in Hays, KS, assisted Kansas Coach in Oberlin. In Penn Yan, the IDA agent worked with a local accountant to prepare the Windmill Market's business plan.

The Vermont Northern Growers Cooperative received technical support from the University of Vermont Cooperative Extension Service and the U.S. Department of Agriculture's Cooperative Extension Service. The growers worked with University of Vermont Extension and the National Organic Farmers Association on developing productive organic growing techniques. And, they received technical assistance on developing a business plan and managing a cooperative. But, they appeared to make a mistake by not following the management structure setup with the initial concurrence of the members.

Caswool Cotco was dependent on several external groups. The most important was a development organization partially funded by the Presbyterian Church. The national Presbyterian Church had been very active in international development, but it had not done much in the area of domestic rural development. In the mid-1980s, the church decided that it would identify some local groups needing assistance. The church established an organization whose major activity was to help locally owned businesses.

The head of the development organization came to Yanceyville to work with the local county extension director. Although the self-development project successfully used these external ties to obtain grants, it was less successful in obtaining assistance in the management of the business. The project especially needed help marketing, but did not seek any external assistance in this area. Thus, the organizational problems experienced by Caswool Cotco can be viewed from two perspectives:

1. Having been workers in a textile factory, the members had much experience in production but none in management or marketing. The participants' lack of experience in management suggests that perhaps the cooperative form of organization, which was suggested by the

[17]The delinquent payment occurred during the transfer of plant ownership from Dubuque Packing Company to BeefAmerica in a takeover.

Presbyterian development organization, was not appropriate; at least if not accompanied by an intensive cooperative and management training program.[18]

2. The technical assistance that Caswool Cotco received was inadequate. Generalist technical assistance organizations need to have the capacity to know when specialists should be called in. Apparently, neither the extension service nor the Presbyterian development organization recognized the need for outside marketing experts to work with the members to devise a feasible marketing strategy, or for management experts to assist in determining the appropriate management and legal structures for the firm.

Much of the assistance provided to the self-development efforts was not specifically designed for such projects. This worked well in the case of the Windmill Cooperative (with the Cooperative Extension specialist who had personal experience as a cooperative member), Mankato's Revolving Loan Fund (the director of the North Central Kansas Regional Planning Commission), and Orofino Unlimited (the Economic Development Outreach specialist, Lewis and Clark State College). Each of these cases involved an extremely dedicated and capable person in the right place at the right time.

But outside technical assistance was not fully appropriate to the needs of the self-development organizations in Oberlin (the bus coach factory) and at Caswool Cotco. The management assistance provided by the Kansas Public Employees Retirement System was inadequate to the task partly because of a lack of experience in taking an equity position in a rural manufacturing firm. In the case of Caswool Cotco, the organizational structure chosen was not compatible with the experiences of the owner-workers. Technical assistance should have highlighted that problem.

Technical assistance regarding production (in all cases examined) seems to have been more effective than technical assistance in business and management. Technical assistance providers need to assess carefully the tendencies of many self-development project leaders to make poor business and organizational decisions. These project leaders are often enthusiastic, but inexperienced.

Among our case studies, the successful examples of technical assistance all involved public sector technical assistance providers. However, in the process of conducting the self-development study, we found instances of private-sector secondary level organizations that provided useful technical assistance to grassroots organizations. Secondary-level organizations provide specialized assistance to retail, production, or service firms. Three will be mentioned briefly:

1. The Center for Community Self Help in Durham, NC, is a multipurpose organization that combines lending to small businesses in North Carolina run by low-income and minority people, with technical assistance in business and financial management. Loans are closely linked to technical assistance and training. Loans are provided a) if firms are locally controlled and owned, b) if the owners also make a financial commitment, and c) if loans serve some programmatic purpose, such as generating jobs, improving incomes of low-income persons, or improving services. The payment of modest interest rates to socially responsible investors allows the organization to make small loans (which involve a relatively high administrative cost per dollar loaned) and to cover the cost of the technical assistance. Although loan recovery rates are well within the normal range, loans are not an end in themselves. In part, they serve as a "hook" by which technical assistance is provided. The development bank directly provided $10 million in financing for community development in 1990. About $5 million of those funds were for home ownership loans and $5 million were

[18]The assumption that poor people—whether in the United States or in developing countries—are more able to work cooperatively than middle class people is one that needs careful scrutiny.

for small business development—to firms such as the largest minority-owned daycare center in North Carolina, a recycling company, and a rural cut-and-sew firm. They also financed an Employee Stock Option Program buy-out from the retiring owner of a 300-employee recreational services company (McGrady).

2. NESDECC, the Northeast South Dakota Energy Conservation Corporation, is a spinoff of a Community Action Program, NESDCAP. NESDECC is a community development corporation that provides financial and management assistance to new or existing small or part-time businesses in 22 South Dakota counties. The objective is to assist low-income entrepreneurs as well as persons in communities experiencing economic stress. It manages a revolving loan fund and over the past decade has served as an incubator to develop five new businesses. Once they are viable, these businesses are sold to a local entrepreneur. In 11 years, 137 businesses were assisted with 193 loans, generating an average of 4 jobs per business. The average size of a NESDECC loan in 1990 was $7,000. NESDECC loans are made in conjunction with commercial bank loans, with NESDECC assisting the client with the cash-flow based business plan. Repayment rates to NESDECC have been 97 percent (Flora and others, 1991; and presentation by Hull).

3. The Appalachian Center for Economic Networks (ACEnet) is a nonprofit organization seeking to revitalize the economy and improve incomes of low-income persons in Appalachian Ohio. Founded in 1985—and formerly called the Worker Owned Network—it originally centered its effort on worker cooperatives (from startup and technical assistance to helping locate financing). The cooperatives developed included a restaurant, a bakery, a housecleaning service, and a bicycle shop among several others. As of 1991, its new approach is to act as a catalyst for the development of flexible manufacturing networks (FMNs). ACEnet's pilot FMN project is the manufacturing of wheelchair-accessible kitchen components. On the production side, this involves creating a for-profit firm to coordinate the manufacturing of the components by a group of existing small firms. On the marketing side, it entails developing networks that include housing developers, architects, and building contractors. The role of ACEnet itself is that of education, overall networking, and grant getting (*Network News: The Newsletter of ACEnet*, 1991; presentation by Holley, 1991; and a presentation by Holley and Wilkens, 1991).

All three of these secondary level organizations provide technical assistance, and (directly or indirectly) tend to the financing of small, locally owned and locally controlled firms. Each has chosen a different way of linking financing with technical assistance, but in all three cases the greater concern is with technical assistance. Their private sector status gives them flexibility and allows them to innovate. In all three cases, however, government resources are important in their success. The Center for Community Self Help has obtained a number of contracts to administer federally financed programs, such as "Fannie Mae" rural housing loans and the community development loans financed by the Farmers Home Administration. NESDECC's revolving loan fund was initiated with a grant from the Community Services Administration (CSA). Its parent organization was generated by CSA's predecessor, the Office of Economic Opportunity. ACEnet's first contract for installation of wheelchair-accessible kitchens is in a public housing project, and its for-profit subsidiary received a Small Business Innovative Research (SBIR) grant to develop the computer network and software needed to link the small businesses with one another.[19]

[19]If grassroots rural development is to be successful in revitalizing declining rural areas, there should be more indepth study of these and other public-private partnerships to inform rural development policies for the near future.

Lateral Learning. Another form of outside assistance is lateral learning—learning from other communities with relevant experiences. The idea for establishing Orofino Unlimited came directly from a chamber of commerce meeting in Sandpoint, ID, where the mayor of Orofino and another community leader learned about Sandpoint Unlimited. The Windmill Market borrowed the farm and craft market idea directly from the Green Dragon, a Mennonite market in Lancaster County, PA. The Penn Yan tire company owner chartered a plane to fly interested parties down to Lancaster County to see the Green Dragon in operation.

Oberlin has successfully used horizontal linkages—the practice of reaching out to other communities with experience in accomplishing a particular kind of project. They have sent car loads and sometimes bus loads of people to inspect home-grown carnivals, feed yards, dairies, bus coach factories, etc. When the people come back home, they set about to adapt what they learned to their own circumstances. They also used the trips to generate publicity and community support. In the case of the visit to Hydro, OK, to see the home-grown carnival, the participants were carefully chosen. They included a local banker and the wife of the newspaper publisher among others. The newspaper became a strong supporter of a similar project for the Decatur County Fair, and the Oberlin bank contributed $2,000 toward initiation of the carnival. Other bankers in the county followed suit. A similar approach was followed with the bus coach factory. After visiting a factory near Fort Worth, TX, residents called a community meeting at which a committee to study the feasibility of buying the Fort Worth company was established. (The Fort Worth firm later went bankrupt, and the Oberlin group decided to proceed with their own company.)

Involvement of Outside Investors, Managers, and Board Members. Rural communities may initiate self-development efforts for which they perceive they need outside capital, expertise, or management skill. When is it appropriate for individuals with those resources to become directly involved in determining policy or in making the day-to-day decisions of the project or firm? Most of our information on this question comes from Oberlin.

The boat-manufacturing firm, which began production in January 1987 and ceased operation in August 1988, illustrates the reasons that people in rural communities are (or should be) wary of outsiders who do not live in the community. A partner in a venture capital firm based in Wyoming learned of Oberlin's desire for economic development through a Denver attorney who used to live in Oberlin. Described by Oberlin leaders as a person of considerable persuasive talent, the Wyoming man (through his company) had patented the design for a family boat/floating trailer combination. The trailer was the hook used to convince the Oberlin businessmen to put up all the money. In retrospect, all respondents agreed that the trailer was not attractive. One respondent said it "looked awful and drug (sic) like a dead hog." The outsiders invested only their time, and walked away from the project when it was not going well. The entire financial risk was shifted on to Oberlin investors and the Federal Government, which guaranteed an SBA loan and provided a Community Development Block Grant.

Kansas Coach had a somewhat different experience with an outsider who played an important decisionmaking role. On the advice of the investment consulting firm that handled the KEPRS equity investments, the group hired a new manager to save the company. According to one knowledgeable person, during the critical 6-month period prior to its shutting down, when perhaps the firm could have been saved, the board of directors instructed the manager to sell one part of the company. His failure to do so, according to this informant, was related to his lack of financial commitment to the firm. Had he had an equity position in the firm, he would have been more willing to make the hard decisions.

There are no easy answers to the question of when is it appropriate for outsiders[20] to participate in decisionmaking. If appropriate technical assistance is available, then the issue becomes moot. While it is often necessary to make one's own mistakes, it is inefficient and costly for each community to have to learn from its own experience. If the community can be provided with expert specialized advice at critical decision points (perhaps through consultants or through appropriate secondary organizations) some of the costly mistakes might be avoided. A State agency may be able to provide expert advice on organizational matters, particularly where its own interests are at stake. In the case of the two firms in Oberlin, an appropriate agency would have been the State Department of Commerce, which administers the Community Development Block Grants. Another possibility is for cooperative extension or other outreach arms of land grant universities or community colleges to tool up to provide the needed expertise. Crucial points where such assistance was needed include: 1) early planning for the bus coach factory, where a consultancy was needed to advise the directors of design costs and the problems that might arise as a small startup firm develops a new product; and 2) in the case of the boat factory, the need for a market study for the boat trailer before commitments were made to the Wyoming group holding the patent.

However, the case studies and other work done by the authors suggest that a more effective alternative is that of private sector secondary organizations such as the Center for Community Self Help. A private secondary-level organization can operate more flexibly than can a governmental organization with similar objectives. The private organization can generate both public and private resources and can develop more flexibile relationships with the primary-level firms it serves. A government organization, unless it is an independent agency, is limited in the variety of resources it can access and in its relationship with the firms it serves. Further study is needed on why organizations such as ACEnet, the Center for Community Self Help, and NESDECC succeed and how government resources can best encourage and assist such private sector organizations.

Conclusions

The perception of an economic crisis (including a general economic downturn that has tangible effects on the community under consideration) often is the initial stimulus for self-development efforts. However, a crisis in itself is not enough. In most rural communities in crisis, self-development does not emerge. Across thousands of rural communities, many of which faced crises every bit as serious as those faced by the 8 case study communities, self-development efforts were found in only 103 places.[21]

Although the survey of 103 cases indicated that a substantial minority of self-development cases were not precipitated by an economic crisis, a more indepth view indicates that there was a relationship between economic crisis and the initiation of self-development efforts for both successful and unsuccessful self-development efforts.

There was some support of the view that a diversified leadership structure is more compatible with successful *inclusive* self-development efforts (those which involved the community as a whole in self-development) than is a concentrated leadership structure. Several of the studies did suggest that at

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[20]We make a distinction between outsiders and newcomers. Outsiders are those who do not live in the community or locality, or who do live in the area but came specifically to participate in the self-development. Newcomers are those who have made a commitment to the community by deciding to live there before any involvement in the self-development project. We believe the commitment to live in the community, and the knowledge acquired of the community by living in it, will generally mean that any involvement by newcomers in community affairs is likely to be more enlightened and intelligent than with outsiders.

[21]That is not to imply that we found all self-development cases in existence in the nonmetro United States. But even if a few hundred self-development cases exist, they would still occur in a small proportion of all nonmetro communities and counties.

certain points in the project's development a "sparkplug," one person to spearhead the effort, may be needed, but that is not incompatible with a diversified leadership pattern. Oberlin, the one community for which we had detailed information on economic development efforts over the past 25 years, showed both an outstanding rotational arrangement and a pattern of particular individuals taking the lead at particular stages in the evolution of a project. The disastrous results of the two self-development efforts examined in this study may be largely due to the fact that, in the absence of strategic planning, inappropriate activities were chosen. If the activities had been compatible with community skills and knowledge, the open leadership structure that was implemented would not have been a problem.

The results from the group-focused, self-development cases supported, if anything, a more concentrated and nonrotational perspective. Clearly, there is a need for more systematic study and application of leadership theory to rural economic development (and self-development, in particular) to determine at what points charismatic leaders should be replaced by persons more skilled in routine management activities, and how that transition should be made. Does the type of self-development project affect which leadership structures are appropriate? In more general terms, what characteristics of different communities promote or hinder diversified involvement in economic development? Are there times when centralization of control in economic development is desirable? If so, how can the transition from centralized control to diversified involvement be made?

Involvement of women in leadership roles occurred in the majority of the case studies, particularly in the more successful ones. Anecdotal evidence suggests that their involvement brought additional skills and perspectives (usually at very low monetary cost to the project), but the evidence is insufficient to conclude that their participation was central to self-development project success. The Center for Industry succeeded without active female leadership. Certainly, the bus and boat factories in Oberlin were "male" activities involving "high" finance and high risk. There is no way of knowing—had women been actively involved from the beginning—whether projects more compatible with local capacity and knowledge would have been chosen. There also was not enough evidence to draw conclusions regarding the importance of minorities' participation to the success of self-development projects.

The leadership of newcomers and outsiders in all of the self-development projects studied in depth indicates the importance of their expertise and new perspectives. In the unsuccessful cases, outsiders' involvement was less effective or even detrimental. The involvement of newcomers in leadership positions is a necessary, but not sufficient, condition for the success of self-development. The same may be said regarding expertise obtained from outsiders.

Inclusive and group-focused projects often had different objectives. The group-focused projects among our case studies were developed by and for particular occupational groups (textile workers in one case, and farmers in the other two), while inclusive projects were more diffuse in their participation and benefits. One type is not superior to the other. However, they face different problems and different options. The more inclusive self-development projects had a much easier time obtaining financing than did the projects targeting a particular group. However, good financing does not assure project success, and difficulties in obtaining financing do not necessarily mean project failure. Inclusive projects are more likely to gain the support of local governments, which help projects obtain access to State and Federal funds. Group-focused projects are more likely to be defined by local governments as representing "special interest" groups, which puts them at a disadvantage in obtaining public technical assistance or public funds. Group-focused projects are more likely to be successful in obtaining technical assistance and funding from private foundations and church-related bodies. While the smaller amounts of capital available from these sources are more appropriate to the needs of group-focused projects than are the larger grants and loans available through State and Federal governments, group-focused projects often suffer because they receive little or no technical assistance.

The trick is to do both: benefit a particular group and define the project as having community-wide benefits. Business leaders are the most successful in doing that. The downtown revitalization done by Orofino Unlimited benefited the merchants the most, but potential benefits also were emphasized for the rest of the community. Those benefits included making the community a more pleasant place to shop, attracting tourists, and potentially increasing tax revenues. The Windmill Cooperative is our best example of a project that was initially defined by the community and by the local government as an effort of "special interests"—farmers and craftspersons—and that then became inclusive in its benefits to the community. The project attracted tourists to the area and contributed to local sales tax revenues.

Strategic planning should be an important front-end component of any self-development effort. Solid planning can increase the likelihood that economic development will build upon a community's strengths. The lack of a viable, carefully conceived plan can be fatal, as in Oberlin. Even so, a strong planning foundation is no guarantee of success, especially when implementation veers off the planned route, as it did with the root-growers cooperative in East Hardwick.

The choice of organizational structure is important to the enterprise's success or failure, but there is no single structure that is appropriate for all self-development projects. The possibilities include cooperatives, nonprofits, and various forms of for-profit organization. The only general rule is to choose an organizational structure that allows for flexibility in seeking financing sources and in adapting to unforeseen circumstances. More than one legal entity may need to be set up to accomplish different purposes. Or, at one stage in the development of the project, one organizational form may be appropriate, while at a later stage a different form may be desirable. What is often lacking is access to technical assistance that will help in making intelligent decisions about the most appropriate organizational structure.

Too much money can be as great a problem as too little. While participants often cited funding shortages as a cause of failure or shortcomings, organization or management was in fact a more important problem. Good management could have solved the problems that participants believed required more funding. No self-development project will be successful without some financial resources. The amount and the timing of these resources seem to be important factors in the project's success. Based on the evidence of the case studies, there are several dangers. A project can have too few resources, as in the case of Project Herbs. But a project can also be overwhelmed by too many resources, or at least by too many too soon—before a viable development plan has been hammered out, as in the case of Oberlin's industrial firms. The best situation may be found where the financial resources are of an appropriate scale and are combined with solid planning (as in Penn Yan's Windmill Cooperative), or are available gradually, so the community can slowly accumulate management experience, as in the case of Mankato's revolving loan fund.

Technical assistance is an important missing link in the presently available mix of economic development efforts. Particularly needed is organizational/managerial assistance aimed toward self-development activities. While participants, particularly those involved in group-focused projects, pointed toward capital cost and shortage as the most important problem they experienced, our indepth analysis of the cases indicates that organizational problems are central. The Extension Service had an important technical and organizational assistance role in nearly half the cases, and other public or semipublic organizations assisted in the remainder of the cases. The case studies point to the need to strengthen the economic development capacity of the Cooperative Extension System or other appropriate public institutions.

While various public-private approaches to technical assistance should be considered, there is also the need for more secondary-level technical assistance organizations (for example, Center for Community Self Help) that can serve the needs of small grassroots firms and projects. Also needed are ways of facilitating lateral learning among communities and organizations, allowing those who have succeeded

in self-development to share their experiences with those who want to try a similar project. These secondary level organizations have more flexibility if they are in the private sector, although they can receive financial and other collaboration from the public sector.

The experts providing technical assistance to self-development projects need to look beyond the most salient problem, financing, to the full array of problems that the economic development project will likely encounter. The outside advisor should be able and willing to refer the client to a specialist (for example, in Yanceyville, to a marketing expert) when appropriate. Also, the outside advisors should have no vested interest in pushing the community in a particular direction. As in the Oberlin boat factory, private entreprenuers will almost always have such a vested interest. Thus, selection of technical assistance should be done with care. Often a disinterested but experienced third party, such as Center for Community Self Help, NESDECC, or ACEnet, can help a community select appropriate outside advisors.

If we evaluated self-development efforts strictly on the basis of the number of jobs created and/or saved or the amount of income generated in the community, we would have to conclude that self-development has not been a viable strategy for nonmetropolitan communities. We found many communities lacking the managerial or financial capacity to sustain the project, and in many cases the direct economic benefits were meager. However, self-development efforts do make important noneconomic contributions to the community. For example, self-development projects tend to open up the decisionmaking process on economic development to a broader range of people in the community. In comparison, industrial recruitment is normally conducted in a secretive fashion by a small minority of residents.[22] Those engaged in self-development have taken an important step in extending democratic principles to the local economy, by expanding involvement in economic development matters to new sectors of the community. Active involvement in self-development efforts tends to carry over into other collective community efforts.

[22]That is not to say that the two approaches are incompatible. The majority (59 percent) of communities that we surveyed also made some effort to attract absentee-owned firms or branches to the community. Over half of the communities that attempted to recruit new industry were successful, an impressive percentage (Green and others, 1990, p. 62). There appears to be an association between efficacy in self-development and in industrial recruitment, suggesting that entrepreneurial rural communities (Flora and Flora, 1990) do not limit themselves to a single strategy.

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